

Message Text

CONFIDENTIAL

PAGE 01 ABIDJA 00295 01 OF 04 132214Z

65

ACTION AF-06

INFO OCT-01 EUR-12 IO-11 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

EA-07 ARA-06 AGR-05 FEA-01 OES-03 NEA-10 PC-01 /141 W

----- 080831

R 121015Z JAN 76 ZFG

FM AMEMBASSY ABIDJAN

TO SECSTATE WASHDC 6576

INFO AMEMBASSY ACCRA

AMEMBASSY COTONOU VIA POUCH

AMEMBASSY DAKAR VIA POUCH

AMEMBASSY LAGOS

AMEMBASSY LOME VIA POUCH

AMEMBASSY LONDON

AMEMBASSY NIAMEY VIA POUCH

AMEMBASSY OUAGADOUGOU VIA POUCH

AMEMBASSY PARIS

AMEMBASSY PRETORIA

USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 1 OF 4 ABIDJAN 0295

PRETORIA PLEASE POUCH TO CAPE TOWN

E.O. 11652: GDS

TAGS: PFOR, IV, XA, EAID, ECON, EIND

SUBJECT: IVORY COAST-1975 YEAR-END ASSESSMENT

1. SUMMARY INVORY COAST MARKED THE 15TH ANNIVERSARY OF ITS
INDEPENDENCE IN 1975 IN A MOOD OF ROBUST-EVEN EXUBERANT-
CONFIDENCE. ITS POLITICAL, ECONOMIC, AND SOCIAL INSTITUTIONS
APPEAR STRONG; AND ITS MOST POWERFUL AND ENDURING INSTITUTION,
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ABIDJA 00295 01 OF 04 132214Z

PRESIDENT FELIX HOUPHOUET-BOIGNY, CELEBRATED HIS 70TH YEAR IN

GOOD HEALTH, WAS RE-ELECTED BY AN ENORMOUS AND APPARENTLY QUITE GENUINE MAJORITY, AND CONTINUES AS ONE OF THE MOST ABLE STATESMEN IN THE THIRD WORLD.

2. THE ACTUAL SITUATION MAY NOT BE AS OPTIMISTIC AS MOST IVORIANS PERCEIVE IT. HOUPHOUET'S DESIGNATED SUCCESSOR, PHILIPPE YACE, IS NOT A PARTICULARLY POPULAR FIGURE AND THE TRANSFER OF POWER, SHOULD IT BE NECESSARY, WILL NOT BE EASY. THERE HAVE BEEN STERN WARNINGS ABOUT THE NEED FOR ADMINISTRATIVE REFORM AND THE ELIMINATION OF CORRUPTION. MOST IMPORTANT, ECONOMIC STATISTICS FOR 1975, AS YET INCOMPLETE, INDICATE A SLOWDOWN AND A DIFFICULT BALANCE OF PAYMENTS POSITION, SUGGESTING THE NEED CAREFULLY TO EXAMINE DEVELOPMENT PRIORITIES AND POSSIBLY DELAY OR ABANDON SOME PROJECTS.

3. NEVERTHELESS, THE MOOD OF THE COUNTRY, PARTICULARLY EVIDENT DURING THE PDC I CONGRESS IN OCTOBER, IS BOYANT AND HAS PROBABLY HAD A DIRECT BEARING ON FOREIGN POLICY ATTITUDES. REVERSING THE TENDENCY OF 1974, IVORY COAST HAS SHOWN A READINESS TO TAKE POSITIONS INDEPENDENT OF "NONALIGNED" RADICALS IN THE OAU, THE UNGA AND IN INTERNATIONAL COMMODITY NEGOTIATIONS. FOREIGN MINISTER USHER HAS OFTEN SAID THAT NONALIGNED SOLIDARITY WAS ESSENTIAL FOR LDC'S TO WRING CONCESSIONS FROM WEALTHIER NATIONS, TO ASSURE STEADY AND GROWING RETURNS FOR BASIC PRODUCTS AND THUS STRENGTHEN ECONOMIC AND SOCIAL DEVELOPMENT. IVORY COAST HAS BY NO MEANS ABANDONED THE THIRD WORLD. HOWEVER, ITS POSITIONS ON KOREA, ZIONISM-RACISM, PUERTO RICO, THE INTERNATIONAL COCOA AGREEMENT, DIALOGUE WITH SOUTH AFRICA AND THE ANGOLA CRISIS DEMONSTRATE THAT IVORIAN ADHERENCE TO THE NONALIGNED BLOC IS ANYTHING BUT SERVILE, AND REFLECTS THE BELIEF THAT IVORY COAST, WHILE STILL VULNERABLE, IS INCREASINGLY IN CONTROL OF ITS OWN DESTINY.

4. IVORY COAST IS GROWING AS A FINANCIAL, COMMERCIAL, AND TRANSPORTATION CENTER FOR WEST AFRICA. UNDER HOUPHOUET'S LEADERSHIP AND BARRING SEVERE ECONOMIC SETBACKS, IT MAY ALSO GROW IN IMPORTANCE FOR U.S. FOREIGN POLICY. END SUMMARY

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ABIDJA 00295 01 OF 04 132214Z

I. DOMESTIC SITUATION

A. GENERAL. 1975 WAS A YEAR OF INTENSE POLITICAL ACTIVITY IN IVORY COAST CULMINATING IN OCTOBER-NOVEMBER WITH THE PDCI PARTY CONGRESS AND NATIONAL ELECTIONS. HOUPHOUET-BOIGNY AGREED TO RUN FOR ANOTHER FIVE-YEAR TERM AND WAS RE-ELECTED BY A 99 PERCENT MAJORITY. HIS DECISION TO STAY ON WAS GREETED WITH GENUINE ENTHUSIASM IN IVORY COAST WHERE HE IS REGARDED

WITH NEARLY UNIVERSAL Veneration as Father of the Country and Architect of its remarkable economic progress. At the end of 1975 there was every evidence of the feeling that Ivory Coast had emerged stronger and more unified than ever before.

B. SUCCESSION. HOUPHOUET-BOIGNY TURNED 70 DURING 1975. THE ISSUE OF SUCCESSION WAS FINALLY FACED WITH A CONSTITUTIONAL AMENDMENT DESIGNATING THE PRESIDENT OF THE NATIONAL ASSEMBLY TO FILL THE REMAINDER OF THE PRESIDENT'S TERM IN THE EVENT OF THE INCUMBENT'S DEMISE. HE MANTLE WOULD THUS FALL ON PHILIPPE YACE, RE-ELECTED DURING 1975 FOR ANOTHER FIVE-YEAR TERM AS NATIONAL ASSEMBLY PRESIDENT. YACE, WHO DERIVES HIS POWER FROM HIS STAEDEFAST LOYALTY TO HOUPHOUET AND HIS DUAL ROLE AS NATIONAL ASSEMBLY PRESIDENT AND PARTY SECRETARY-GENERAL COMES FROM A SMALL COASTAL TRIBE AND LACKS WIDESPREAD POPULARITY. NEVERTHELESS THE EMBASSY BELIEVES THAT, ASSUMING THE ECONOMY CONTINUES STRONG AND OTHER CONDITIONS REMAIN FAVORABLE, THE TRANSITION, IF REQUIRED, SHOULD BE PEACEFUL AND CONSTITUTIONAL. IVORIANS HOPE, HOWEVER, FOR LONG LIFE TO HOUPHOUET, WHOSE OWN POWER IS UNCHALLENGED. DESPITE ECONOMIC UNCERTAINTIES AND CONTINUING INFLATION, LABOR REMAINED DOCILE DURING 1975 AND UNIVERSITY STUDENTS SPENT ANOTHER QUIET AND COMFORTABLY SUBSIDIZED YEAR. IVORY COAST'S SMALL MILITARY ESTABLISHMENT ALSO REMAINED IN THE BACKGROUND, IN PART DUE TO THE APPOINTMENT OF TWO YOUNG OFFICERS TO THE CABINET IN 1974 AND THE DESIGNATION OF TEN JUNIOR OFFICERS AS SUB-PREFECTS. THE MILITARY SHARES IN THE NATION'S PROSPERITY AND IN THE GENERAL VENERATION OF HOUPHOUET.

C. REFORMS. THE PARTY CONGRESS IN OCTOBER DISCUSSED REFORMS AND DEVELOPMENT PRIORITIES FOR THE NEXT FIVE YEARS. THESE INCLUDED THE NEED TO REDUCE REGIONAL DISPARITIES BY PROMOTING CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ABIDJA 00295 01 OF 04 132214Z

DEVELOPMENT OF THE INTERIOR (TO THIS END HOUPHOUET MADE TWO TOURS OF THE INTERIOR DURING THE YEAR, DISPENSING AID AND PROMISING MAJOR ECONOMIC PROJECTS), THE NEED FOR MORE RAPID "IVORIANIZATION," PARTICULARLY IN SECTORS SUCH AS TEACHING AND THE NEED TO REVERSE THE RURAL EXODUS. IN A CONFERENCE OF THE COUNTRY'S PREFECTS AND SUB-PREFECTS IN AUGUST, MINISTER OF STATE FOR INTERIOR EKRA MADE A TIGHTENED SPEECH CALLING FOR TIGHTENED ADMINISTRATION AND THREATENING TO TAKE ACTION AGAINST ADMINISTRATORS WHO ARE INCOMPETENT, CORRUPT OR TOO FREQUENTLY ABSENT. HOUPHOUET HIMSELF ADDRESSED THE PROBLEMS OF CORRUPTION, INEFFICIENCY AND TRIBALISM AT THE OCTOBER CONGRESS AND WARNED AGAINST RESTING TOO COMFORTABLY ON THE SUCCESS ALREADY ACHIEVED IN DEVELOPMENT. THE EMBASSY EXPECTS THAT IN EARLY 1976 THERE WILL BE A CABINET RESHUFFLE FOLLOWING THE NOVEMBER ELECTIONS. DURING 1975 HOUPHOUET ALSO STEPPED

UP HIS LONG-STANDING EMPHASIS ON YOUTH IN PARTY AND GOVERNMENT, DOUBLING THE SIZE OF THE ALL-POWERFUL POLITICAL BUREAU AND DIRECTORY COMMITTEE OF THE PARTY TO INCLUDE A SIGNIFICANT NUMBER OF YOUNGER IVORIANS AND WOMEN.

II. ECONOMIC SITUATION AND PROSPECTS

A. GENERAL OVERVIEW. AFTER A REMARKABLE PERFORMANCE IN 1974, THE IVORIAN ECONOMY SLOWED CONSIDERABLY IN 1975, PRINCIPALLY DUE TO A SHARP FALL IN EXPORT EARNINGS. THE FIGURES PRESENTLY AVAILABLE TO THE EMBASSY ARE PRELIMINARY, PORIVISIONAL, AND VERY TENTATIVE. THE PROJECTION FROM THESE FIGURES IS A GDP IN 1975 OF \$4.1 BILLION AT CURRENT PRICES, AND INCREASE OVER 1974 OF 16 PERCENT, BUT MEASURED IN 1973 CONSTANT PRICES THE GDSP WOULD BE \$3.1 BILLION, SHOWING REAL GROWTH OVER 1974 OF 4 PERCENT. LATER FIGURES MAY RAISE THE REAL GROWTH RATE TO 6 PERCENT, BUT THE EMBASSY DOUBTS REAL GROWTH WILL EXCEED 6 PERCENT. THIS COMPARES TO AN AVERAGE ANNUAL REAL GROWTH RATE OF PERHAPS 10 PERCENT OVER THE PREVIOUS FIVE YEARS. EMBASSY ESTIMATES THE INFLATION RATE AT A CONSERVATIVE 12 PERCENT IN 1975, COMPARED TO 17 PERCENT IN 1974.

CONFIDENTIAL

NNN

CONFIDENTIAL POSS DUPE

PAGE 01 ABIDJA 00295 02 OF 04 130054Z

65

ACTION AF-06

INFO OCT-01 EUR-12 IO-11 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

EA-07 ARA-06 AGR-05 FEA-01 OES-03 NEA-10 PC-01 /141 W

----- 066304

R 121015Z JAN 76

FM AMEMBASSY ABIDJAN

TO SECSTATE WASHDC 6568

INFO AMEMBASSY ACCRA

AMEMBASSY COTONOU VIA POUCH

AMEMBASSY DAKAR VIA POUCH

AMEMBASSY LAGOS
AMEMBASSY LOME VIA POUCH
AMEMBASSY LONDON
AMEMBASSY NIAMEY VIA POUCH
AMEMBASSY OUAGADOUGOU VIA POUCH
AMEMBASSY PARIS
AMEMBASSY PRETORIA
USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 2 OF 4 ABIDJAN 0295

(1) THE 1975 CENSUS FIGURES, NOT OFFICIALLY ANNOUNCED, SHOW A POPULATION OF 6.7 MILLION, INSTEAD OF THE PROJECTED 5.2 MILLION BASED ON PROJECTIONS FROM A PREVIOUS LESS THOROUGH CENSUS. THIS, TOO, WILL HAVE AN IMPACT ON STATISTICAL MEASUREMENTS OF GROWTH.

(2) PRICES FOR ROBUSTA COFFEE SUDDENLY DECLINED IN FEBRUARY. COCOA PRICES WERE ALSO SOFT IN THE SPRING OF UT AND IVORY COAST DID NOT SELL IN THE EARLY FALL WHILE WAITING FOR HIGHER PRICES. IN ADDITION, TIMBER EXPORTS FELL OFF DRAMTICALLY. THE WORLDWIDE SLUMP IN
CONFIDENTIAL
CONFIDENTIAL

PAGE 02 ABIDJA 00295 02 OF 04 130054Z

HOUSING AND FURNITURE PRODUCTION HAD BEEN SLOW TO AFFECT IVORY COAST. ORDERS BEGAN TO DECLINE IN THE LAST QUARTERS OF 1974, BUT DROPPED OFF SHARPLY IN 1975. THE IMPACT WAS SEVERE. MANY SAWMILLS AND LOGGING OPERATIONS CLOSED DOWN IN EARLY SUMMER AND HAVE ONLY RECENTLY STARTED UP AGAIN.

(3) SUBSTANTIAL EXPORT REVENUES GENERATED SURPLUSES IN 1974, WHICH THE IVORY COAST MARKETING BOARD USED TO SUSTAIN THE ECONOMY THROUGH THE EARLY PART OF THE YEAR WITHOUT SALES OF COFFEE AND COCOA. AFTER JUNE, THE COFFEE SUPPLY PICTURE CHANGED DUE TO POLITICAL TURMOIL IN ANGOLA AND THE BRAZILIAN FROST. IVORY COAST RE-ENTERED THE MARKET WITH LARGE STOCKS ON HAND AS COFFEE PRICES DRAMTICALLY ROSE, THEREBY EARNING SOME WINDFALL PROFITS. THESE WERE NOT SUFFICIENT, HOWEVER, TO SUSTAIN THE COUNTRY'S REAL GROWTH AT THE RATE OF PREVIOUS YEARS. THE OIL PRICE RISE FURTHER COMPLICATED THE SITUATION, SINCE IVORY COAST STILL RELIES ON PETROLEUM-GENERATED POWER FOR 75 PERCENT OF ITS NEEDS. WITH CLEARLY DETERIORATING TERMS OF TRADE, IVORY COAST ALMOST EXPERIENCED A BALANCE OF PAYMENTS CRISIS. INTERNATIONAL RESERVES FELL TO THEIR LOWEST POINT IN HISTORY (THREE WEEKS IMPORTS AT THE END OF SEPTEMBER 1975). FOR THE FIRST TIME, GOIC PAYMENTS ACCOUNT WITH THE BANK OF FRANCE WAS IN DEFICIT.

(4) MINISTRY OF FINANCE OFFICIALS DID NOT REGARD THIS SITUA-

TION AS INDICATIVE OF LONG-TERM TREND, HOWEVER, AND HOPED RESERVES WOULD IMPROVE MARGINALLY DUE TO HEAVY COFFEE SALES IN THE LAST QUARTER. TO OFFSET IMMEDIATE SHORT-TERM PROBLEMS, THE GOIC WENT HEAVILY INTO THE EUROCURRENCY MARKET IN THE SECONDQUARTER OF 1975, BORROWING REPORTEDLY \$38 MILLION. IN CONCERT WITH THIS FISCAL ACTITM, MONETARY AUTHORITIES IN THE THIRD QUARTER STRINGELTLY LIMITED THE REDISCOUNTING CAPACITY OF COMMERCIAL BANKS AND SLOWED THE CREDIT FLOW IN THE ECONOMY. IN ADDITION, FOR THE FIRST TIME SINCE 1971, THE GOIC MARKETING BOARD DID NOT RAISE PRICES FOR COCOA AND COFFEE PRODUCERS, A POLITICALLY DIFFICULT DECISION IN AN INFLATIONARY ECONOMY. THE MARKET-ING BOARD HOPES TO TAKE ADVANTAGE OF CURRENT HIGH PRICES FOR COFFEE AND COCOA TO RECOUP THE FUNDS USED TO SUSTAIN
CONFIDENTIAL
CONFIDENTIAL

PAGE 03 ABIDJA 00295 02 OF 04 130054Z

THE ECONOMY DURING 1975. NEITHER THE MINIMUM AGRICULTURAL WAGE NOR THE MINIMUM INDUSTRIAL WAGE WASHFRAISED IN 1975, ANOTHER DIFFICULT POLITICAL DECISION IN AN ELECTION YEAR. YET ONE HEARS NO GRUMBLINRSFROM ANY QUARTER, PERHAPS AGAIN DEMONSTRATING THE REMARKABLE POPULARITY OF "LE VIEUX."

(5) FOR THE FUTURE IVORY COAST INTENDS TO CONCENTRATE HEAVILY ON COCOA, WHILE LEAVING COFFEE ABOUT WHERE IT IS. BY 1980, IT IS PLANNED THAT COCOA WILL SURPASS COFFEE AND, BY 1985, IVORY COAST EXPECTS TO BE THE WORLD'S LEADING COCOA EXPORTER.

B. IMPLICATIONS FOR DEVELOPMENT INVESTMENT. ONLY MINOR MODIFICATIONS WERE MADE IN THE 1975 DEVELOPMENT BUDGET. GOIC HAD ALLOCATED A PORTION OF THE 1974 SURPLUSES GENERATED BY AGRICULTURAL SALES TO FINANCE THE DEVELOPMENT PLAN. ADDITIONAL RESOURCES CAME FROM THE FED, FAC, IBRD, THE IMF OIL FACILITY AND THE EUROCURRENCY MARKET. DESPITE THE NEED FOR LARGE INPUTS OF LOWER COST MONEY TO SUSTAIN INFRASTRUCTURE DEVELOPMENT, GOIC HAS BEEN FORCED TO TURN TO WORLD CAPITAL MARKETS TO FIND CAPITAL TO MEET ITS DEVELOPMENT GOALS. DOMESTIC PRIVATE CAPITAL RESOURCES ARE LIMITED. THE GOVERNMENT, THEREFORE, HAS DIRECTED SUBSTANTIAL PUBLIC INVESTMENT INTO PRIORITY SECTORS AND, WHEN PROJECTS PROVE COMMERCIALLY VIABLE, HAS SOUGHT ADDITIONAL PRIVATE INVESTMENT. A SUCCESS STORY IS THE PROCESSING AND MARKING OF PALM OIL BY SODEPALM, A PARASTAL CORPORA-TCN WITH A PRIVATE COUNTERPART (PALMIVOIRE). THIS PROGRAM HAS NOW ATTRACTED LARGE AMOUNTS OF PRIVATE CAPITAL. GOIC HOPES TO REALIZE SIMILAR ACHIEVEMENTS IN TEXTILES, COCONUT OIL, SUGAR, RUBBER AND CASHEW NUTS, BUT THESE PARASTATAL OPERATIONS MUST PROVE THEMSELVES BEFORE PRIVATE CAPITAL WILL BE COMMITTED.

(1) GIVEN IVORY COAST'S CRITICAL BALANCE OF PAYMENTS POSITION

IN 1975, THE 1976-80 DEVELOPMENT PLAN COULD BE CONSTRAINED SEVERELY. YET IVORY COAST APPEARS DETERMINED TO CONTINUE TO SEEK EVEN GREATER AMOUNTS OF EXTERNAL FINANCING TO IMPLEMENT KEY DEVELOPMENT PROJECTS, SUCH AS THE BANGOLO IRON ORE COMPLEX AND THE RELATED SAN PEDRO-MAN RAILROAD, THE CONSTRUCTION OF SEVERAL MORANHYDROELECTRIC DAMS IN
CONFIDENTIAL
CONFIDENTIAL

PAGE 04 ABIDJA 00295 02 OF 04 130054Z

THE NEXT FIVE YEARS(SOME OF WHICH ARE ALSO DIRECTLY RELATED TO BANGOLO), AND THE DEVELOPMENT OF A SUGAR INDUSTRY.

THE FINANCIAL REQUIREMENTS OF THESE PROJECTS WILL MEAN A SIZEABLE INCREASE IN THE DEBT SERVICE RATIO WHICH THE EMBASSY ESTIMATES HAS ALREADY REACHED BETWEEN 10 AND 13 PERCENT IN 1975. THIS IS NOT A SERIOUS FACTOR GIVEN THE STRONG PERFORMANCE OF THE IVORIAN ECONOMY IN THE PAST AND ITS POTENTIAL FOR GROWTH BUT UNTIL SOME OF THESE NEW PROJECTS ARE ON STREAM, RELIANCE ON TRADITIONAL EXPORTS AND IVORIAN RESERVES TO SERVICE DEBT MAY BE SOMEWHAT RISKY, CALLING FOR CAUTION IN DEBT MANAGEMENT.

(2) GOIC HOPES TO AVOID DEFSLMENT OF ITS DEVELOPMENT PROGRAM. BUT A SLOWING DOWN IS ALREADY IN EPDDENCE, AND THE COUNTRY IS HIGHLY DEPENDENT ON HIGH PRICES FOR COFFEE AND COCOA AND A REVITALIZATION OF THE WOOD INDUSTRY. IT MUST ALSO SET ABOUT RAPIDLY TO UNDERTAKE A MAJOR REFORESTATION PROGRAM OR RISK EXHAUSTION OF FOREST RESERVES BY THE 1980S. IN THE LONG RUFNN IMPORTS WILL HAVE TO BE REDUCED AND THEEXPORT BASE BROADENED TO INSURE THE COUNTRY'S ABILITY TO SERVICE THE DEBT ON THE CAPITAL REQUIRED FOR ITS DEVELOPMENT.

(3) OTHER AGRICULTURAL RESOURCES TO BE PUSHED ARE RICE AND COTTONFOR EXPORT, CATTLE FOR INTERNAL CONSUMPTION, AND SUGAR. THE AMERICAN BUILT(LANG) REFINERY IS CRUSH-ING CANE, BUT STILL WELL BEHIND SCHEDULE. A FRENCH REFINERY WILL BE BUILT BEGINNING THIS YEAR AND A CONTRACT FOR A THIRD ONE IS BEING NEGOTIATED WITH A CANADIAN FIRM WITH PARTIAL EXIM FINANCING). TWO OTHER U.S. FIRMS AND EUROPEAN FIRMS ARE UNDER CONSIDERATION FOR ADDITIONAL REFINERIES BUT OTHER IVORIAN PRIORITIES FOR INTERNATIONAL FINANCING MAYDELAY THESE FOR SOME TIME.

C.U.S. TRADE AND INVESTMENT. ABIDJAN HAS BECOME A REGIONAL MARKETING AND FINANCIAL CENTER, AND MAY FILL FOR WEST AFRICA THEPOSITION BEIRUT ONCE HELD IN THE MIDDLE EAST. IT IS INCREASINGLY A CENTER FOR INTERNATIONAL CONFERENCES,
CONFIDENTIAL
CONFIDENTIAL

PAGE 05 ABIDJA 00295 02 OF 04 130054Z

HIGHLIGHTING ITS IMPORTANCE AS A CENTER FOR COMMERCIAL
ACTIVITY. U.S. AND OTHER FOREIGN FIRMS HAVE MARKEDLY
INCREASED THEIR PRESENCE.

CONFIDENTIAL

NNN

CONFIDENTIAL POSS DUPE

PAGE 01 ABIDJA 00295 03 OF 04 131326Z

65

ACTION AF-06

INFO OCT-01 EUR-12 IO-11 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

EA-07 ARA-06 AGR-05 FEA-01 OES-03 NEA-10 PC-01 /141 W

----- 073580

R 121015Z JAN 76

FM AMEMBASSY ABIDJAN

TO SECSTATE WASHDC 6569

INFO AMEMBASSY ACCRA

AMEMBASSY COTONOU VIA POUCH

AMEMBASSY DAKAR VIA POUCH

AMEMBASSY LAGOS

AMEMBASSY LOME VIA POUCH

AMEMBASSY LONDON

AMEMBASSY NIAMEY VIA POUCH

AMEMBASSY OUAGADOUGOU VIA POUCH

AMEMBASSY PARIS

AMEMBASSY PRETORIA

USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 3 OF 4 ABIDJAN 0295

(1) PANAM HAS SHIFTED ITS AFRICAN HEADQUARTERS TO ABIDJAN.
FIRST NATIONAL CITY BANK ESTABLISHED THE FIRST NON-FRENCH
BRANCH BANK IN IVORY COAST IN 1975 AND MAY SHORTLY BE
FOLLOWED BY CHASE MANHATTA, FIRST NATIONAL OF CHICAGO,
CHEMICAL BANK AND OTHERS. U.S. DIRECT INVESTMENT IS NOW

ABOUT \$56 MILLION. ARTHUR ANDERSEN AND PRICE WATERHOUSE HAVE OPENED REGIONAL OFFICES. SEVERAL U.S. BANKS HAVE INCREASED LENDING ACTIVITIES THROUGH EUROCURRENCY SYNDICATES AS WELL AS EXIMBANK LOANS AND GUARANTEES. U.S. DIRECT FINANCING TO IVORY COAST DURING 1975 AMOUNTED TO \$30-\$35 MILLION, AND THE EMBASSY HAS HAD FREQUENT VISITS
CONFIDENTIAL
CONFIDENTIAL

PAGE 02 ABIDJA 00295 03 OF 04 131326Z

FROM FURTHER PROSPECTIVE INVESTORS. CONSISTENT U.S. ACTIVITY AND INTEREST ON A NUMBER OF FRONTS IN IVORIAN DEVELOPMENT STILL INDICATE THE BASIC CONFIDENCE OF PREVIOUS INVESTORS IN THE ECONOMY AND BROADENING INTERESTS AMONG NEW AND POTENTIAL INVESTORS IN IVORY COAST.

(2) ON AUGUST 21, THE GOIC, UNDER THE LOME CONVENTION, ABOLISHED REVERSE PREFERENCES PREVIOUSLY ACCORDED THE EEC UNDER THE YAOUNDE CONVENTIONS. IVORY COAST IMPORTED \$66 MILLION OF U.S. PRODUCTS IN THE FIRST 10 MONTHS OF 1975-COMPARED WITH \$66 MILLION IN ALL OF 1974. MAJOR IMPORTS FROM THE UNITED STATES WERE KRAFT PAPER, RAGS, FERTILIZERS, LUBRICANTS, BUILDING AND CONSTRUCTION SUPPLIES AND EQUIPMENT, ENERGY SYSTEMS AND MATERIALS HANDLING EQUIPMENT. IVORIAN EXPORTS TO THE UNITED STATES FOR THE FIRST 10 MONTHS, 1975 TOTALED \$95 MILLION-COMPARED WITH \$86 MILLION IN ALL OF 1974. IVORIAN EXPORTS TO THE U.S. CONSISTED ALMOST ENTIRELY OF COFFEE, COCOA, AND COCOA BUTTER, FUEL OILS, TIMBER PALM OIL AND NATURAL RUBBER.

D. PETROLEUM. IN COMMON WITH OTHER LDC'S IVORY COAST'S ECONOMY HAS BEEN PROFUNDLY AFFECTED BY THE FIVEFOLD INCREASE IN THE PRICE OF OIL. IVORY COAST'S OIL BILL WAS PROBABLY FIVE PERCENT HIGHER IN 1975 THAN IN 1974. THERE IS RENEWED INCENTIVE TO COMPLETE HYDROELECTRIC PROJECTS TO REDUCE THE NATION'S DEPENDENCE ON OIL. ESSO EXPLORATION AND A CONSORTIUM OF PHILLIPS/HISPANOIL/GETTY/AGIP ARE SEARCHING FOR OIL OFF THE COAST. IT STILL REMAINS UNCLEAR HOWE IVORY COAST'S DEVELOPMENT PLANS WILL BE AFFECTED BY THE OIL PRICE RISES, BUT TWO ELEMENTS ARE EVIDENT: (1) FUNDS WILL NOT BE AVAILABLE TO FINANCE THE DEVELOPMENT PROGRAM AT THE PACE ORIGINALLY ENVISAGED, AND (2) THE PRICE IN PETROLEUM-BASED AND OTHER FERTILIZERS AND INCREASED COSTS OF ELECTRIC-POWERED IRRIGATION MAY THREATEN THE VIABILITY OF AGRIBUSINESS PROJECTS WHICH ARE DEPENDENT UPON THE ENRICHMENT OF POOR SOILS.

E. LABOR. THE GENERAL UNION OF WORKERS, AN ARM OF THE PDCL, REMAINED DOCILE AND CONTINUED TO FOLLOW A PRO-
CONFIDENTIAL
CONFIDENTIAL

PAGE 03 ABIDJA 00295 03 OF 04 131326Z

GOVERNMENT POLICY. ONE PROBLEM IS LOOMING: IVORY COAST IS HEAVILY DEPENDENT ON FOREIGN MANUAL LABOR. UP TO 80 PERCENT OF THE PLANATION LABOR FORCE IS IMPORTED, LARGELY FROM UPPER VOLTA, AND MANY WORKERS ARE RETURNING HOME OR FINDING JOBS ELSEWHERE IN AFRICA. THIS HAS AFFECTED EXPORTS OF BANNAS AND PINEAPPLES, AND COULD SLOW PRODUCTION OF COFFEE AND COCOA. IVORY COAST MAY HAVE TO OFFER ADDITIONAL INDUCEMENT TO FOREIGN WORKERS OR EXPEND SCARE CAPITAL FOR MECHANIZED AGRICULTURAL EQUIPMENT.

III. FOREIGN POLICY

A. AFRICA. IVORY COAST MAINTAINED GOOD RELATIONS WITH ITS NEIGHBORS-ALWAYS EXPCETING GUINEA-AND WITH MOST AFRICAN STATESM. NEVERTHELESS, IVORY COAST IS SOMETHING OF A MAVERICK IN THE OAU AND HAS DRAWN SHARP CRITICISM FOR ITS POLICY OF INCREASING "DIALOGUE" WITH SOUTH AFRICA. HOUPHOUET CLEARLY HAS NO INTENTION OF ABANDONING "DIALOGUE," HOWEVER. GOIC INFORMATION MINISTER VISITED SOUTH AFRICA INSEPTEMBER; SOUTH AFRICAN AIRLINES WILL PROBABLY RECEIVE LANDING RIGHTS IN 1976; AND CONCEIVABLY-- IF THE ANGOLAN ISSUE IS DEFUSED--CONSULAR OR EVEN DIPLOMATIC RELATIONS COULD BE ESTABLISHED.

(1) ANGOLA HAS PREOCCUPIED IVORY COAST AS IT HAS ALL AFRICA IN RECENT MONTHS. HOUPHOUET IS PERSONALLY DEEPLY DCTURBED BY THE SOVIET AND CUBAN PRESENCE, HAS ENDORSED THE OAU CALL FOR NON-RECOGNITION OF ANY OF THE CNTENDING PARTIES AND A NEGOTIATED SETTLEMENT AND HAS URGED GREATER U.S. EFFORTS TO COUNTER SOVIET INTERFERENCE. HOUPHOUET IS ONE OF AFRICA'SSTAUNCHEST ANTI-COMMUNISTS, AND THE SPECTRE OF A SOVIET-COMMITTED MPLA GOVERNMENT IN ANGOLA IS ANATHEMA. HE HAUZ ALSO USED HIS INFLUENCE TO GET OTHER AFRICAN LEADERS TO STAND FAST.

(2) IVORY COAST PARTICIPATED IN DISCUSSIONS WITH OTHER WEST AFRICAN STATES CONCERNINGESTABLISHMENT OF ECOWAS- A FREE-TRADE AREA. HOUPHOUET SHARES THE CONCERNS OF SENEGAL'S PRESENT SENGHOR LEST A GROUPING OF "WES AFRICA" STATES BE DOMINATED BY ANGLOPHONECOUNTRIES LED
CONFIDENTIAL
CONFIDENTIAL

PAGE 04 ABIDJA 00295 03 OF 04 131326Z

BY NIGERIA, AND MAY WISH TO ENLARGE THE GROUP TO INCLUDE GABON, ZAIRE, AND EVENTUALLY ANGOLA. PROGRESS TOWARD ECOWAS HAS BEEN SLOWED BY THE GOVERNMENT CHANGE IN NIGERIA, BUT WEST AFRICAN REGIONAL ECONOMIC COOPERATION IS A FACT OF LIFE THROUGH MANY OTHER REGIONAL INSTITUTIONS.

B. OTHER STATES. AT THE PDCI CONGRES THE GOICANNOUNCED ITS INTENTION TO BROADEN RELATIONS TO INCLUDE STATES "WHICH RECOGNIZE THE PRINCIPAL OF NON-INTERFERENCE." THERE ARE NOW 41 RESIDENT AMBASSADORS IN ABIDJAN. GOIC HAS SINCE OPENED RELATIONS WITH CAMBODIA, THE TWO VIETNAMS AND MEXICO, ALTHOUGH EXCHANGES OF AMBASSADORS MAY BE LONG DELAYED, AND OTHER OPENINGS ARE EXPECTED IN 1976. EMBASSY DOES NOT FORESEE RELATIONS WITH THE USSR (BROKEN IN 1969) A BREAK WITH THE ROC IN FAVOR OF PEKING OR RELATIONS WITH NORTH KOREA.

C. THE UNITED STATES. ALTHOUGH FRANCE RETAINS A DOMINANT INTEREST AND ROLE IN IVORY COAST, U.S. RELATIONS ARE EXCELLENT AND GROWING. I HAVE ENJOYED FREQUENT AND EASY ACCESS TO HOUPHOUET AND HIS MINISTERS, WHICH WILL CONTINUE WHATEVER THE MAKEUP OF THE NEW CABINET. PRESS AND TELEVISION ARE GENERALLY FAIR IN TREATMENT OF THE U.S. , AND INTERESTED IN U.S. ACTIVITIES. IVORIAN ARE INTERESTED IN THE U.S. ECONOMIC MODEL AND ANXIOUS FOR INCREASED TRAINING AND EXPERIENCE WITH AMERICAN CONSTRUCTION, MANUFACTURING, AGRICULTURAL AND MANAGEMENT METHODS. THE OPENING OF FNCB'S BRANCH BANK OCCURRED IN SPITE OF FRENCH RESISTANCE. AN AMERICAN/BELGIAN FIRM WON THE MINING RAILROAD SURVEY CONTRACT AGAINST FIERCE AND CRUDE FRENCH COMPETITION. IVORY COAST IS NO LONGER AN EXCLUSIVE FRENCH "GAME RESERVE." THE THRUST FOR IVORIANIZATION, MUCH TALKED ABOUT IN 1975, SEEMS AIMED LARGELY AT THE MASSIVE FRENCH PRESENCE IN BUSINESS, BANKING AND GOVERNMENT, AND THE EMBASSY HAS NOT DETECTED RESENTMENT OVER THE GROWING U.S. PRESENCE HERE. IVORIANIZATION IS MOVING SLOWLY; PROGRESS IS EVIDENT AT TOP ECHELONS, BUT NOT AT THE TECHNICIAN AND EXPERT LEVEL.

CONFIDENTIAL

NNN

CONFIDENTIAL POSS DUPE

PAGE 01 ABIDJA 00295 04 OF 04 130532Z

65

ACTION AF-06

INFO OCT-01 EUR-12 IO-11 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

EA-07 ARA-06 AGR-05 FEA-01 OES-03 PC-01 /131 W

----- 069218

R 121015Z JAN 76

FM AMEMBASSY ABIDJAN

TO SECSTATE WASHDC6570

INFO AMEMBASSY ACCRA

AMEMBASSY COTONOU VIA POUCH

AMEMBASSY DAKAR VIA POUCH

AMEMBASSY LAGOS

AMEMBASSY LOME VIA POUCH

AMEMBASSY LONDON

AMEMBASSY NIAMEY VIA POUCH

AMEMBASSY OUAGADOUGOU VIA POUCH

AMEMBASSY PARIS

AMEMBASSY PRETORIA

USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 4 OF 4 ABIDJAN 0295

D. MULTILATERAL DIPLOMACY. IVORY COAST'S ECONOMIC LIFE IS ALMOST ENTIRELY DEPENDENT ON EXPORTS OF RAW OR SEMI-PROCESSED AGRICULTURAL PRODUCTS, AND THE COUNTRY HAS AN ENORMOUS STAKE IN THE SUCCESS OF INTERNATIONAL AGREEMENTS ON COFFEE, COCOA AND OTHER COMMODITIES. GOIC WAS GREATLY ENCOURAGED BY THE U.S. STATEMENT AT THE UN 7TH SPECIAL SESSION. FONMIN USHER SAID PUBLICLY THAT THE U.S. HAD GONE WELL BEYOND EXPECTATIONS, AND THE STATEMENT WAS RECEIVED AS EVIDENCE OF A DELIBERATE AND FORCEFUL U.S. MOVE IN A DIRECTION WHICH GOIC AND OTHERS HAD LONG ADVOCATED. THIS MAY IN PART ACCOUNT FOR GOIC SUPPORT OF
CONFIDENTIAL
CONFIDENTIAL

PAGE 02 ABIDJA 00295 04 OF 04 130532Z

U.S. POSITIONS ON IMPORTANT UNGA ISSUES. SOME STIFFENING WAS REQUIRED-I INTERVENED WITH HOUPHOUET TO ENSURE OPPOSITION TO THE HOSTILE KOREAN RESOLUTION-BUT GOIC WAS IN GENERAL RECEPTIVE AND UNDERSTANDING OF U.S. CONCERNS. GOIC AND U.S. WERE TOGETHER ON THE NEW INTERNATIONAL COFFEE AGREEMENT AND, IN COCOA NEGOTIATIONS, THE IVORY COAST STOOD ALONE WITH THE U.S. IN OPPOSING THE AGREEMENT FINALLY REACHED. IVORIANS WILL CONTINUE TO INSIST, HOWEVER, THAT COMMODITY AGREEMENTS ENSURE A RISING STANDARD OF LIVING FOR PRODUCERS, AND WILL BE TOUGH AND SHREWD NEGOTIATORS IN PRODUCER-CONSUMER BARGAINING FORA.

IV. IMPLICATIONS FOR U.S. POLICY

1. IVORY COAST IS AMONG THE MOST SUCCESSFUL LDC'S AND AMONG THE "NONALIGNED" IS PARTICULARLY FRIENDLY AND

RESPONSIVE TO U.S. INTERESTS. AS AN ENTREPOT FOR WEST AFRICA, ABIDJAN WILL INCREASINGLY BECOME A FOCUS FOR U.S. BUSINESS AND FINANCIAL INTERESTS, AS WELL AS AN ACTIVE MARKET FOR U.S. EXPORTS. THE U.S. THUS HAS A STAKE, AND AN IMPORTANT ONE, IN THE CONTINUING VIABILITY AND GROWTH OF THE IVORIAN ECONOMY. U.S. DIRECT AID ASSISTANCE TO THE IVORY COAST IS LIMITED TO A SMALL, THOUGH SUCCESSFUL AND WELL-PUBLICIZED SELF-HELP PROGRAM AND A MULTIDONOR EDUCATIONAL TV PROJECT. PEACE CORPS ACTIVITIES ARE WELL RECEIVED, AND HAVE BEEN SOLICITED FOR RURAL DEVELOPMENT PROGRAMS. IVPGANTS ARE ACTIVELY SOUGHT AFTER BY IVORIANS. WE ARE MOST ENCOURAGED BY SEVERAL SIZEABLE AID LOANS AND GRANTS TO THE CONSEIL D'ENTENTE FOR SMALL ENTERPRISES, LIVESTOCK AND FOOD PRODUCTION; BY U.S. PARTICIPATION IN LOANS TO GOIC FOR ECONOMIC AND AGRICULTURAL RESEARCH; AND BY THE PROSPECT OF CONGRESSIONAL APPROVAL FOR U.S. PARTICIPATION IN THE AFDF. ALL OF THESE WILL HAVE POLITICAL AS WELL AS ECONOMIC IMPACT HERE. THE U.S. IS PARTICULARLY QUALIFIED TO PROVIDE ADVANCED TRAINING FOR AGRICULTURAL MODERNIZATION. EQUALLY OR PERHAPS MORE IMPORTANT WILL BE A CONTINUING READINESS ON THE PART OF THE USG TO BE DEMONSTRABLY FORTHCOMING IN COMMODITY DISCUSSIONS.

2. THE U.S. OFFICIAL PRESENCE IN IVORY COAST IS SUBSTANTIAL AND GROWING. REGIONAL OFFICES ARE ATTRACTED HERE BY
CONFIDENTIAL
CONFIDENTIAL

PAGE 03 ABIDJA 00295 04 OF 04 130532Z

ABIDJAN'S IMPORTANCE, GEOGRAPHIC LOCATION, AND FACILITIES. WE MAY HAVE TO BE INCREASINGLY SELECTIVE IN EXPANSION IN ABIDJAN, BUT THE EMBASSY BELIEVES THE LOCATION OF AN AGRICULTURAL ATTACHE, AND POSSIBLY A REGIONAL TRADE CENTER WOULD BE MUCH IN THE U.S. INTEREST. THE CASE FOR THE LATTER IS STRENGTHENED BY GOIC INTENTION TO BUILD A WORLD TRADE CENTER IN ABIDJAN. THE CONTINUATION OF A STRONG ECONOMIC AND COMMERCIAL SECTION IN THE EMBASSY IS ESSENTIAL.

VM CONCLUSION

AFTER ALMOST TWO YEARS IN IVORY COAST I AM HEARTENED BY THE COUNTRY'S PROGRESS AND WITH IVORIAN-U.S. RELATIONS, AND SHARE SOME IVORIAN OPTIMISM ABOUT THE YEARS TO COME. THERE MAY BE SHOALS AHEAD, PARTICULARLY SHOULD HOUPHOUET BE INCAPACITATED, BUT IVORIAN ECONOMIC AND POLITICAL INSTITUTIONS HAVE AS GOOD A CHANCE AS ANY IN AFRICA OF SURVIVING THEIR FOUNDING FATHER. THE CONFIDENCE GENERATED BY PAST SUCCESSES, ALMOST PALPABLE IN IVORY COAST IN 1975, WILL HELP THE COUNTRY OVER FUTURE HURDLES. SMITH

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, POLITICAL SITUATION, BALANCE OF PAYMENTS, PUBLIC ATTITUDES, POLITICAL LEADERS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ABIDJA00295
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760012-0696
From: ABIDJAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760167/aaaachwc.tel
Line Count: 706
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 13
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 19 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 APR 2004 by SmithRJ>; APPROVED <16 AUG 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IVORY COAST-1975 YEAR-END ASSESSMENT
TAGS: PFOR, EAID, ECON, EIND, IV, XA, (HOUPHOUET-BOIGNY, FELIX), (YACE, PHILIPPE)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006